REMARKS

The undersigned attorney for applicants thanks Examiners Daniel Felten and Geoffery Akers for the telephonic interview held on February 11, 2003.

In the January 17, 2003 office action, claims 1-4, 10 and 12-14 were rejected under 35 USC 102(b) as being anticipated by U.S. Patent No. 5,978,778 to O'Shaughnessy and claims 5-9, 11, 12, 15-24 were rejected under 35 USC 103(a) as being unpatentable over O'Shaughnessy in view of "Select Sector SPDRs" (www. spdrindex.com internet archive date November 28, 1999, hereinafter "SSSs").

Claims 1 and 4-24 are being submitted for the Examiner's consideration.

Current Amendments to the Specification & Claims

Independent claims 1 and 15 have been amended to recite "wherein all of said M different securities in the first portfolio are traded on a first securities market, and none of the other N-M different securities are traded on said first securities market". As described in the preferred embodiment, discussed in present application at page 6, lines 19 - page 8, line 8, all M = 54 securities were traded on the NASDAQ, while the other N - M = 500 - 54 = 446 securities were not traded on the NASDAQ (but were traded on the NYSE). Thus, the application, as filed, supports the language added to pending claims 1 and 15, and also to the specification at page 8.

Independent claim 10 has been amended in a manner similar to claims 1 and 15, except that the language "all of said M_j different securities in at least one of the J portfolios are traded on a first securities market, and none of the other N- M_j different securities are traded on said first securities market" focuses on at least one among the first set of portfolios comprising securities belonging to the larger, second portfolio.

Finally, claim 6 has been written in independent form to include the limitations of previously submitted claim 1.

Claims 1, 4-5 & 8-15

Pending independent claims 1 and 15 both recite that all M securities in the first portfolio are traded on a first securities market, while none of the other N-M securities in the second portfolio are traded on that first securities market. Claims 4, 5, 8 & 9 depend on

claim 1. The corresponding language in independent claim 10 is similar, but is phrased with reference to at least one of the set of "first portfolios". Claims 11-14 depend on claim 10.

Claims 6-7 & 16-24

Pending independent claims 6 and 16 both recite that M different securities are traded on the NASDAQ; claims 7 and 17-22 depend on these two claims. Pending independent claims 23 and 24 both recite that the "first portfolio" comprises stocks in the NASDAQ-only component of the S&P 100 (claim 23) or S&P 500 (claim 24).

Patentability of the Pending Independent Claims

In the "interview summary" mailed February 19, 2003, the Examiner noted that "A suggestion was made to the applicant to structure the claims to further define the Nasdaq component feature of the invention over the prior art." As discussed below, while the "Nasdaq" component appears in independent claims 6, 16, 23 and 24, it does not appear in independent claims 1, 10 and 15.

Patentability of Pending Claim 1

The significance of all M different securities belonging to a first securities market, and none of the other N-M different securities belonging to that first securities market is discussed in the present application. In the described preferred embodiment, the N = 500 securities comprising the S&P 500 form the 'second portfolio', the M member securities of the NASDAQ form the 'first portfolio' (the NASDAQ being the 'first securities market') while none of the other N-M member securities of the NYSE (which also belong to the second portfolio) are traded on the 'first securities market' (i.e., not traded on the NASDAQ).

As discussed on page 1, lines 12-28, of the application, securities on the NYSE are traded by specialists who make the market for a particular security. And as discussed on page 1, line 29 - page 2, line 6, securities on the NASDAQ are traded through dealers, each of whom may handle trades in any of the securities. An index fund based on, say, the S&P &P 500, includes securities from both the NASDAQ and the NYSE. A single share of such a mutual fund therefore represents an ownership interest in a mix of all N = 500 securities, some of which belong to the NASDAQ and others to the NYSE.

As discussed at page 3, line 14 - page 4, line 2, SPDRs are derivative equities, traded via a specialist, that allow one to quickly buy or sell an entire portfolio in a single

transaction. However, as discussed at page 4, lines 3-15, in a volatile trading day, the specialist for the S&P 500 SPDR must quickly buy and/or sell securities trading on both the NYSE and on the NASDAQ. And while it may be fairly straightforward to quickly buy and sell the N-M securities trading on the NYSE, it is somewhat more difficult to quickly buy and sell the M securities trading on the NASDAQ.

The invention of pending claim 1 provides for a "first financial instrument" that represents an ownership interest in a first portfolio of M different securities (e.g., those securities traded on the NASDAQ that are) selected from a second portfolio (e.g., all 500 securities belonging to a S&P 500-based SPDR Trust, each of the 500 securities individually being traded either on the NASDAQ or the NYSE). Pending claim 1 further requires that the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of first portfolio within the second portfolio. Pending claim 1 further requires that the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio (e.g., a SPDR) are traded on a securities market (though not necessarily the same securities market). Pending claim 1 also calls for all of the M different securities in the first portfolio to be traded on a first securities market (e.g., all being traded on the NASDAQ) and none of the other N-M different securities being traded on that first securities market (e.g., the other N-M being traded on the NYSE, but not on the NASDAQ).

It is submitted that none of the prior art, in any combination, discloses the invention of pending claim 1. It is particularly noted that neither O'Shaughnessy nor SSSs discloses that (a) all the member securities in either the 50-stock portfolios (O'Shaughnessy) or in any one of sector SPDRs ("Select Sector SPDR" article) are traded on a first securities market, while (b) all the other securities which also belong to the second portfolio (the 'second portfolio' being the S&P 500 in the case of both O'Shaughnessy & SSSs are <u>not</u> traded on the first securities market.

O'Shaughnessy discloses studying two portfolios: one called "All Stocks", which includes only stocks having market capitalizations greater than $150,000,000, and the other called "Large Stocks". There is no mention that all stocks in either portfolio are traded on a single securities market. Nor, for that matter, is there any mention of the existence of a 'first financial instrument' representing an ownership interest in either of the two portfolios. Thus, O'Shaughnessy does not, and cannot, anticipate pending claim 1.

With regard to SSSs, each Sector SPDR Fund is directed to a particular "industry group", without regard to which securities market the member securities belonging to any of the Sector SPDR funds are traded. Furthermore, not one of the nine Sector SPDR funds has all of its member securities traded on the same securities market while none of the securities in any of the other 8 Sector SPDRs are traded on that same securities market, as required by pending claim 1. Thus, SSSs also not does not, and cannot, anticipate pending claim 1.

And since neither O'Shaughnessy nor SSSs mentions that all of the M securities of a 'first portfolio' are traded on a first securities market, no combination of these references renders obvious pending claim 1.

Patentability of Pending Independent Claims 10 and 15

Pending independent claims 10 and 15 are believed to define over any combination of O'Shaughnessy and SSSs, for substantially the same reasons given above with regard to pending claim 1.

Patentability of Independent Claim 16

Pending independent claim 16 is directed to a "first financial instrument" based on a portfolio of M different stocks traded on the NASDAQ, the M stocks belonging to an index that includes other stocks, at least some of which are traded on an exchange other than the NASDAQ. No combination of the cited references discloses "M different stocks traded on the NASDAQ", in combination with the other features recited in the claim.

Patentability of Independent Claims 23 & 24

Pending independent claims 23 and 24 are directed to a "first financial instrument" representing the "NASDAQ-only" component of the S&P 500, and the S&P 100, respectively. No combination of the cited references discloses this "NASDAQ-only" feature, in combination with the other features recited in these claims.

With regard to all claims not specifically mentioned, these are believed to be define over the prior art not only because of their dependency on their respective base claims and any intervening claims, but also for the totality of features recited therein.

Reconsideration of the application is requested. Claims 1 and 4-24 are believed to be in allowable form and define over the prior art. An early notice of allowance is requested so that the application can proceed to issue.

A separate Fee Transmittal Sheet is enclosed.

Respectfully Submitted,

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APPENDIX A

Marked-Up Specification Paragraphs After Amendment Filed February 26, 2003

Paragraph at page 8, lines 1-8:

New matter

In the above-described preferred embodiment, there is a single child portfolio (the SPDRX) which comprises all the stocks traded in a single market (in this case, the NASDAQ). And among a total of $N = 500$ different securities in the parent portfolio (i.e., the S&P 500-based SPDR), $M_1 = 54$ different securities of the child portfolio all are traded on a first securities market (the NASDAQ), while none of the other $N - M_1 = 446$ different securities in the parent portfolio are traded on that first securities market. The benefits of the SPDRX of this first embodiment now become evident. Instead of placing $M_1 = 54$ separate orders with NASDAQ dealers to trade the orders, an SPDR specialist need only place a single order to buy or sell shares of C_{eq1} with the SPDRX specialist. Since the SPDRX shares are traded automatically, this means that the SPDR specialist realizes the benefits of speed and efficiency previously accorded only for those remaining 446 stocks not individually traded on the NASDAQ.

APPENDIX C

Changes to Claims in Amendment Filed February 26, 2003

1. (Currently Amended) A first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, N > M, with the M different securities being a subset of the N different securities,

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio, [and]

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market, and

wherein all of said M different securities in the first portfolio are traded on a first securities market, and none of the other N-M different securities are traded on said first securities market.

6. (Currently Amended) [The first financial instrument according to claim 1,] A first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, N > M, with the M different securities being a subset of the N different securities,

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio,

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market, and

wherein the M different securities in the first portfolio are all traded on the National Association of Securities Dealers Automated Quotations System (NASDAQ).

10. (Currently Amended) A plurality of first financial instruments C_{1eq}, C_{2eq}, . . . , C_{Jeq} , J > 1, each representing an ownership interest in a corresponding one of a first set of J

portfolios $\{C_1, C_2, \ldots, C_{J[j]}\}$, each member of said first set of portfolios comprising units of a corresponding integer number M_j different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, $N > M_j$, with the M_j different securities being a subset of the N different securities for all j, wherein

the weight of each security in any one C_j is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of C_j within the second portfolio, [and]

each of the first financial instruments, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market, and[;]

all of said M_j different securities in at least one of said J portfolios are traded on a first securities market, and none of the other N- M_j different securities are traded on said first securities market.

15. (Currently Amended) A method of facilitating an exchange in ownership of a security, the method comprising:

a step of providing a first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, N > M, with the M different securities being a subset of the N different securities,

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio, [and]

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market, and

wherein all of said M different securities in the first portfolio are traded on a first securities market, and none of the other N-M different securities are traded on said first securities market;

a step of receiving a first offer to sell said first financial instrument;

a step of receiving a second offer to buy said first financial instrument; and

matching said first and second offers.